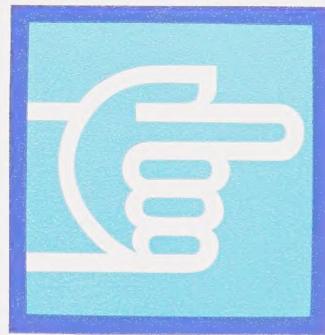


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HAND CHEMICAL INDUSTRIES LIMITED

**ANNUAL
REPORT**

1965

HAND CHEMICAL INDUSTRIES LIMITED

DIRECTORS

H.T. HAND	L.W. HAHN
J.B. DONALDSON	M.B. DEANS
G.J. ANDERSON	W.G.C. HOWLAND
J.M. VALLANCE	R.C. WINSHIP

OFFICERS

H.T. HAND	President
J.B. DONALDSON	Executive Vice-President
G.J. ANDERSON	Vice-President
R.C. WINSHIP	Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR

THE ROYAL TRUST COMPANY	Toronto, Ontario Montreal, Quebec
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TRUSTEE

NATIONAL TRUST COMPANY LIMITED	Toronto, Ontario
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BANKERS

BANK OF MONTREAL LA BANQUE PROVINCIALE DU CANADA	
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AUDITORS

JAMES M. DUNWOODY & CO.	Toronto, Ontario
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SOLICITORS

McMILLAN, BINCH, STUART, BERRY, DUNN, CORRIGAN & HOWLAND	
	Toronto, Ontario

SUBSIDIARY

DOMINION FIREWORKS MANUFACTURING COMPANY LIMITED	
	Wholly Owned

REPORT OF THE DIRECTORS

To The Shareholders:

On behalf of the Board of Directors I take pleasure in submitting the Annual Report of your Company for the year ended 30th September 1965, together with comparative financial statements and the auditors' report thereon.

Operations continued at a high level during the year. Although total sales declined from the previous year, the commercial sales continued to increase. The 1965 operations have been charged with depreciation and tooling expenses of \$102,690 compared with \$84,299 in 1964. After making allowance for depreciation and the profit on sale of land in 1964, earnings for the years 1964 and 1965 are comparable.

Earnings per Class A Share for the year were \$1.12 compared to \$3.21 last year, and earnings per Common Share were 30c compared to \$1.53. A substantial portion of the 1964 per share earnings resulted from the profit on sale of land. Dividends of \$37,032 or 60c per share were paid during the year to Class A Shareholders.

Working capital at the year end was \$1,045,889 compared to \$1,020,522 in 1964 reflecting a current ratio of 6.5 to 1 as compared to 5.3 to 1 last year.

It is a pleasure to announce the appointments of Mr. J.B. Donaldson as Executive Vice-President, and Mr. D.R. Carr as General Sales Manager.

Your directors wish to record their appreciation to the employees for their co-operation and efficient services during the year, and to the customers, suppliers and shareholders for their support of the Company.

Oakville, Ontario
14th December, 1965

HUGH T. HAND,
President

HAND CHEMICAL IND

CONSOLIDATED BALANCE SHEET

ASSETS	1965	1964
CURRENT		
Cash on hand and in bank	\$ 46,431	\$ 151,229
Short-term deposits, including accrued interest	150,134	403,623
Marketable securities—at cost—market value \$29,500	25,000	—
Accounts receivable—trade, less provision for doubtful accounts of \$12,298 in 1965 and \$10,403 in 1964	262,830	190,058
 Inventories—at lower of cost and net realizable value		
Raw materials	219,651	176,380
Work in process	177,239	143,170
Finished goods	303,891	171,868
	<hr/> 700,781	<hr/> 491,418
 Prepaid expenses and deposits		
Mortgage receipts and accrued interest, due within one year	16,022	8,905
Corporation income tax overpayments	11,966	—
	<hr/> 24,141	<hr/> 11,873
 TOTAL CURRENT ASSETS	1,237,305	1,257,106
 Deposits on machinery and equipment	—	49,920
Cash surrender value — life insurance	2,867	—
 Mortgage Receivable — 6%, due 1st October 1969		
Less: Current portion	95,500	95,500
	6,250	—
	<hr/> 89,250	<hr/> 95,500
 FIXED		
Land, buildings, machinery and equipment, at cost	1,086,832	919,143
Less: Accumulated depreciation	448,638	355,700
	<hr/> 638,194	<hr/> 563,443
	 <hr/> \$1,967,616	<hr/> \$1,965,969

Approved on behalf of the Board.

Hugh T. Hand, Director

J. B. Donaldson, Director

INDUSTRIES LIMITED

S AT 30th SEPTEMBER 1965

LIABILITIES	1965	1964
CURRENT		
Accounts payable and accrued charges	\$ 110,120	\$ 77,883
Accrued wages, salaries and commissions	37,751	72,157
Taxes withheld	16,384	11,044
Progress billings	7,161	55,500
Sinking fund payments due within one year (Note 2)	20,000	20,000
TOTAL CURRENT LIABILITIES	<u>191,416</u>	<u>236,584</u>
Accumulated tax reductions, applicable to future years (Note 1)	44,926	15,291
FUNDED DEBT — Secured		
Authorized:		
Debentures	<u>\$1,500,000</u>	
Issued (note 2) — Series A, \$500,000, 6½% sinking fund debentures due 15th July 1983, outstanding,	460,000	480,000
Less: Current portion	20,000	20,000
	<u>440,000</u>	<u>460,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL (Note 3)		
Authorized:		
61,720 Class A shares of no par value		
300,000 Common shares of no par value, aggregate consideration not to exceed	\$ 607,960	
Issued and Fully Paid:		
61,720 Class A shares	113,620	108,828
106,290 Common shares }		
EARNED SURPLUS	<u>1,177,654</u>	<u>1,145,266</u>
	<u>1,291,274</u>	<u>1,254,094</u>
	<u>\$1,967,616</u>	<u>\$1,965,969</u>

AUDITORS' REPORT TO THE SHAREHOLDERS.

We have examined the Consolidated Balance Sheet of HAND CHEMICAL INDUSTRIES LIMITED and its subsidiary, DOMINION FIREWORKS MANUFACTURING COMPANY LIMITED as at 30th September 1965 and the Consolidated Statements of Earned Surplus and Operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and Consolidated Statements of Earned Surplus and Operations present fairly the financial position of the Company as at 30th September 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
12th November, 1965.

JAMES M. DUNWOODY & CO.,
Chartered Accountants.

HAND CHEMICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR YEAR ENDED 30th SEPTEMBER 1965

	1965	1964
BALANCE 1ST OCTOBER	\$1,145,266	\$ 983,903
Add: Net profit for year	69,420	198,395
	<hr/>	<hr/>
Less: Dividends paid on Class A shares	1,214,686	1,182,298
	37,032	37,032
	<hr/>	<hr/>
BALANCE 30TH SEPTEMBER	<u>\$1,177,654</u>	<u>\$1,145,266</u>

CONSOLIDATED STATEMENT OF OPERATIONS FOR YEAR ENDED 30th SEPTEMBER 1965

SALES	<u>\$1,618,531</u>	<u>\$1,771,010</u>
PROFIT ON OPERATIONS before taking into consideration the following items	<u>\$ 343,748</u>	<u>\$ 428,189</u>
Profit on sale of land	—	106,490
Income from investments	8,603	11,991
	<hr/>	<hr/>
	8,603	118,481
	<hr/>	<hr/>
	352,351	546,670
	<hr/>	<hr/>
Less: Directors' fees	550	600
Legal fees	8,802	8,896
Executives' and directors' remuneration	96,656	141,356
Depreciation	79,508	66,625
Interest on funded debt	31,070	27,599
Reorganization and debenture expenses	—	8,706
	<hr/>	<hr/>
	216,586	253,782
	<hr/>	<hr/>
PROFIT before taxes on income	135,765	292,888
TAXES ON INCOME (Note 1)	66,345	94,493
	<hr/>	<hr/>
NET PROFIT FOR YEAR	<u>\$ 69,420</u>	<u>\$ 198,395</u>

HAND CHEMICAL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 30th SEPTEMBER 1965

NOTE 1. The income taxes payable in respect of the year amount to \$36,710. The difference of \$29,635 between this and the amount of \$66,345, taxes charged against income, results from tax incentive legislation and the high level of qualifying capital expenditures. This difference is applicable to future periods in which the amounts of depreciation deductible for tax purposes will be less than the depreciation recorded in the accounts.

NOTE 2. Sinking Fund requirements are as follows:

\$20,000 yearly in the years 1965 to 1969
\$25,000 yearly in the years 1970 to 1977, and
\$30,000 yearly in the years 1978 to 1983

NOTE 3. (a) The Class A shares are entitled to a fixed cumulative preferential cash dividend of 60¢ per share per annum and are convertible at the rate of 1½ common shares for 1 Class A share. Dividends are restricted under the terms of the Trust Indenture in that no cash dividends may be paid if the payment of the dividend would reduce the consolidated net tangible assets of the Company and its Subsidiary to less than 250% of the consolidated funded debt or reduce the consolidated working capital below 100% of the consolidated funded debt or \$500,000 whichever is greater.

- (b) 92,580 Common shares are reserved for conversion of Class A shares.
- (c) 8,600 Common shares are reserved for the Employees' Stock Option Plan. There are outstanding options to directors and officers on 2,528 such shares exercisable at \$4.00 per share over a period ending 31st January 1968. During the year, options were exercised for the purchase of 783 shares at \$4.00 per share and 400 shares at \$4.15 per share.

NOTE 4. The Company is the defendant in an action for damages of approximately \$65,000 plus costs arising from the use of its products. Product liability insurance is carried and the Company's insurers are investigating the claim.

COMPANY PRODUCTS

PLASTICS DIVISION

Plastic Housewares
Plastic Cutlery
Plastic Wall Tile
Custom Injection Moulding
Components for Pyrotechnics

METAL DIVISION

Custom Metal Stampings
Metal Stampings for Pyrotechnics
Zinc Die Casting for Pyrotechnics

PYROTECHNIC DIVISION

Retail Fireworks
Self-Fired Displays
Expert-Fired Displays
Marine Signals and Flares
Aircraft Signals and Flares
Military Pyrotechnics

PAPER TUBE ROLLING DIVISION

Custom Tubes
Tubes for Pyrotechnics